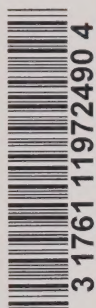


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Canada. Parliament. House of Commons  
Committee on agriculture, forestry  
and rural development.

Submission by the National  
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Canada. Parliament.

Submission

to the

House of Commons Committee on Agriculture, Forestry

and Rural Development

by the

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Regina, Saskatchewan,

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House of Commons, Committee on the Environment

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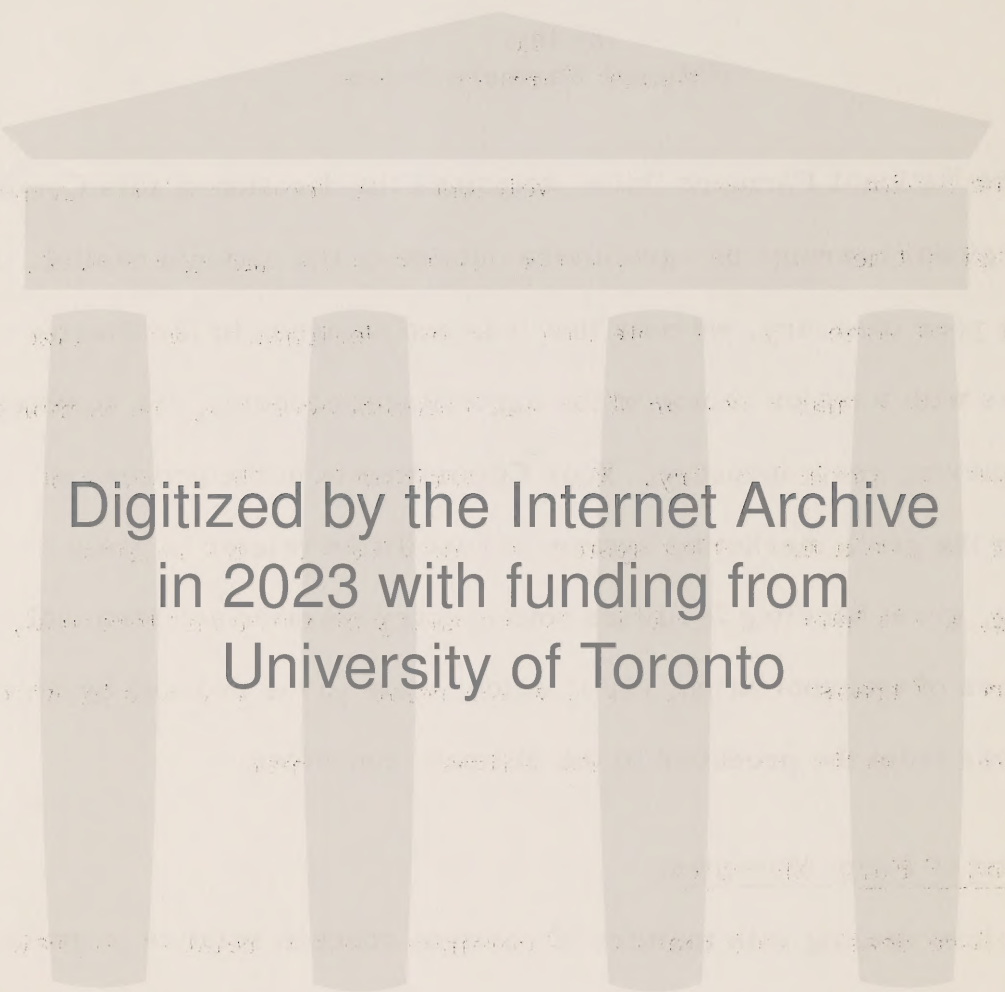
by the  
National Farmers Union

The National Farmers Union welcomes the decision of this Committee to hold regional hearings on agriculture outside of the nation's capital. In reviewing your itinerary, we note that it is one designed to familiarize yourselves with a major sector of the agricultural economy, the complex and often perplexing grain industry. Your Committee is in the process of examining the grain marketing system and facilities related to grain marketing, grain handling facilities both country elevator and terminal, and the area of transportation, all of which relate to the process by which grain moves from the producer to the ultimate consumer.

Background of Farm Movement

Before dealing with matters of common concern relative to grain and other Canadian agricultural matters, we believe for the information of those members of this Committee residing outside of the prairie region it would be an appropriate time to relate in greater detail than usual some of the pertinent facts about the provincial farm unions affiliated with the National Farmers Union and of the Saskatchewan Farmers Union in particular.

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As you may know, our movement represents some 75,000 farm families in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. Each provincial farm union operates autonomously. All provincial farm union organizations are based on the payment by farmers of a voluntary annual membership.

In the province of Saskatchewan, the name of the voluntary organization has changed a number of times since the late Honourable W. R. Motherwell originated the farm union movement at Indian Head in 1901. Since that time it has continually carried on as a direct-membership organization whose function is that of education and protection.

In 1901, farmers organized because railways held a monopoly on transportation for grain and as a result of this monopoly, offered monopoly control to grain companies for the purpose of doing business with grain producers. At that point in time, farmers could not secure boxcars for the purpose of transporting grain out of the area. Through a court case which is famous and well known in this country as The Sinaluta Trial, farmers of western Canada secured the right to the use of the Car Order Book.

Following this, farmers entered into their first commercial activity, when they established the Grain Growers Grain Company in 1906 (now the United Grain Growers). After much difficulty with the Winnipeg Grain Exchange over procuring a seat on the Exchange, the fledgling company began its operations of marketing grain for farmers on a consignment basis.

However, problems continued, and following the recommendations of a Royal Commission in 1910 which investigated the grain trade, a co-operative





elevator system was organized in 1911.

In 1910, mass western farm protest demonstration in Ottawa demanded free trade or "reciprocity" with the United States. Out of this, in 1912, came the establishment of the Board of Grain Commissioners whose task it is to administer the Canada Grain Act in the interests of the grain producer.

Earlier today you visited an elevator of the Saskatchewan Wheat Pool. The organization of the present day Saskatchewan Wheat Pool in 1924 was initiated by the Farmers' Union of Canada, a breakaway group of the Saskatchewan Grain Growers Association. The Saskatchewan and Alberta pools were organized following the actions of the Farmers' Union of Canada to bring in the famous American co-operator, Aaron Sapiro. They were originally intended as a grain marketing agency. However, the beginning of the Great Depression in 1929 shattered this dream after only short-lived success, and farm pressure in western Canada increased for the reinstatement by government of the Canadian Wheat Board.

The Saskatchewan Grain Growers Association, through its SGGA locals, had, in 1912, engaged in the bulk purchase of farm supplies including such commodities as binder twine, coal, kerosene, fenceposts and flour.

In 1928, the trading arm of what had become the United Farmers of Canada (following amalgamation of the Farmers Union of Canada and the Saskatchewan Grain Growers Association) was separated from the direct-membership organization. The trading department became part of the





Saskatchewan Co-operative Wholesale Society which is today known as Federated Co-operatives Limited, operating in the three prairie provinces and British Columbia, with one outlet in Western Ontario.

In 1944, the organizations now known as the Farmers' Union of Alberta and the Saskatchewan Farmers Union formed the Interprovincial Farm Union Council. The organization of farmers' unions took place in Manitoba in 1950 and in Ontario and British Columbia in 1951, at which time they also became members of the Interprovincial Farm Union Council. In 1960, the name of the Interprovincial Farm Union Council was changed to the National Farmers Union.

At the same time, as the farmers' movement has been engaged in developing commercial enterprise, farm union members insist upon separating the commercial functions from the functions of education and development.

While this resume of farm union history has, of necessity, been brief, we trust it will assist you in understanding better the basic role which our type of farm organization fulfills. The farm unions have no political axe to grind and no vested commercial interests. We exist for one reason alone; to be the farmer's educational and protective association.

In recent years farmers have heard a good deal about and been lectured to at great length by experts on the virtues of farm efficiency. These experts include not only those from the universities and government, but from commercial organizations, including those from the farmers' own co-operatives.





We have no quarrel with improved production efficiency. We have no quarrel with improved market efficiency. We have no quarrel with increased distribution efficiency. The quarrel we do have is with those who continually emphasize improved farm efficiency without looking elsewhere for improvements. We believe other areas for improved efficiencies also exist.

What about efficiencies of marketing? What about efficiencies in grain handling? What about efficiencies in storing and transportation? Efficiencies in grain handling both in the country elevator system and at the terminal? Efficiencies in transportation in terms of the kind of technology that railways are using? Efficiencies in the terminal system in terms of the kind of technology that is available for loading large ocean-going vessels? Efficiencies in terms of the distribution of farm supplies and the handling of livestock?

There used to be an old saying in the country which said: "All the farmer needs to know is the way to town and the businessman will look after him after that."

### Grain Handling, Marketing and Transportation

In light of your various activities this week, it might be appropriate to review some of the quickly descending problems on the farm front as we see them, in terms of the present overall grain handling and marketing situation as it presently affects producers and the nature of possible future trends.

There has been a tremendous increase in farm capitalization in





in prairie agriculture. Mechanization over the past twenty years has replaced much farm labor. Prairie grains in general and wheat in particular are sold on the world market at world market prices and for this reason the prairie grain producer's ability to remain in business is geared to his productive ability, his ability to acquire larger amounts of input capital and a price for his product sufficiently remunerative to remain in production. He must be as efficient as every other foreign producer and sometimes meet the competition of foreign subsidized production. In short, agriculture generally is on an economic treadmill which extracts growing demands on the farmer's ability to adapt and compete.

Much of the pressure for expanding farm efficiency and production originates with government and industry. For example, government sponsored plant research produces better varieties of cereal grains. Through research, plant diseases are being contained and yield gains improved through the use of insecticides and herbicides. Government credit programs have hastened the mechanization of grain production and accelerated the trend toward larger farm units.

The growing use of fertilizer is adding to the potential production factor of the farmer, as are improved methods of cultivation and tillage and the development of more efficient and sophisticated farm machines.

The farmer, to remain abreast of these changing trends and developments, increases and expands his production inputs. As his input costs per acre rise, his need for a good crop every year also rises.

We need not remind this Committee of the thousands of farmers who are not able to maintain the pace set by economic pressures for





greater levels of efficiency. Many of these are in a transitional stage of production and may live in a culture of rural poverty or near-poverty. Of these, some are in the middle-age bracket, and the outlook for their retirement years will be closely tied to the potential retirement fund they may eventually acquire from the sale of inadequate land resources which they now possess.

In short, the modernization and reorganization of prairie grain production has proceeded at a relatively rapid rate over the past twenty years, compared with other segments of industry related to the handling and marketing of grain such as our country elevator system or rail transportation system. The inefficiencies in these systems are becoming increasingly more costly to the primary producer.

As a consequence of heavy duplication of country elevator facilities at numerous delivery points, it is fairly obvious that many of these facilities are not handling sufficient volume of grain to operate at a profit for their owners. This can only mean that the tariff structure covering the entire system must be large enough to pay operators a profit on the operations of the total system to cover the losses of low-volume facilities.

On this matter, we have approached the Board of Grain Commissioners for relative data which might suggest a break-even point on country elevator handlings. On this matter, Mr. E. E. Baxter, director of the statistics division of the Board has advised that a "general rule of thumb" within the grain trade of previous years has been that a country elevator needed to turn over its capacity 3.5 times per annum and have an average storage of approximately 45% to 50% of capacity at all times in order to break even.





Although Mr. Baxter points out that this is a general, broad position and may vary from elevator to elevator and according to capacity situation, it does, nevertheless, take on considerable significance when considered in the light of the following breakdown provided by Mr. Baxter on the country elevator handling pattern in 1964-65 crop year.

"(1) At the present time there are 233 prairie shipping points at which there are five or more elevators. This numerical count is not necessarily in itself proof of uneconomic duplication; there are ten major country elevator companies and allowing for the provincial segregation of the individual Pools, we could justifiably have eight companies represented at any point. However, a further examination of these high density points does suggest that they may be over-serviced. These 233 points involve some 1,322 elevators with a total capacity of 116.7 million bushels but an average aggregate annual handling of only 157.5 million bushels. This yearly volume represents a capacity turnover of only 1.3 times.

"(2) There are only 135 shipping points at which the average annual turnover ratio is 3 to 1 or better.

"(3) There are still 117 points at which the handling ratio is less than 1 to 1 or, in other words, where the storage capacity is not completely turned over in 12 months.

"(4) There are 575 points at which more than one company is trying to achieve an economic operation on their share of less than 300,000 bushels of business annually. Again this does not necessarily imply an uneconomic operation at all or any one point; two 50,000 bushel elevators might be a sound operating arrangement if they each handled 150,000 bushels per year."

The preceding paragraphs illustrate the pressing need for the introduction of more orderly planning in the construction of country elevator facilities on the prairies. It raises serious doubts as to the advisability of permitting elevator companies to construct facilities at will in various delivery points and raises the need for greater planning of location in the construction of future facilities.





The congestion of country elevators because of poor markets and low quotas following the post-war years and the early 1950's, has resulted in a tremendous expansion of grain elevator storage facilities. It has, in large measure, been a duplication of the storage facilities required in any event to be built by the individual farmer. This has proven to be a lucrative form of income for elevator companies at both government and farmer expense.

Only recently have railway companies shown any indications of changing the designs of railway boxcars enabling them to be more economically and speedily loaded than the conventional types.

The imminent threat of branch rail line abandonment in many areas will place still greater pressures for increased marketing costs on farmers. Many of the so-called uneconomic rail branch lines are, we believe, largely unenonomic because of the failure of railway companies to upgrade their own operations. Pressures will continue from elevator companies for higher tariffs to cover losses which may result to them through abandoned houses and the need for increased capital to build new and larger facilities on remaining lines. Many thousands of farmers will be affected through being required to haul grain to delivery points many miles further than has been the case traditionally. Farmers will be further affected through increased municipal tax assessments for the upgrading of rural road systems which will be required to withstand the weight of larger vehicles which will be needed to haul grain greater distances.

The farmer, in short, is going to bear a major share of the cost burden in updating grain handling and transportation facilities.





Terminal facilities at both the west coast and the lakehead are probably becoming obsolete more rapidly than we may realize in light of the future possibilities which exist for the rapid movement of grain through the use of such devices as integral trains and bulk loading facilities, even if employed on a modified basis.

It is possible that your group may have viewed bulk loading facilities in use at the Port of Vancouver for the movement of such bulk commodities as potash, sulphur and iron ores.

The major blocks to the adoption of a bulk loading system for the movement of prairie grain is the cleaning process of the grain itself. It has been suggested that inland government terminals such as the ones located in Saskatoon and Lethbridge might be modified and employed as direct grain delivery houses by producers. Here grain could be cleaned to export standards for rapid loading into hopper cars and shipped either east or west for loading into ocean-going vessels through the rapid loading methods of bulk terminal facilities. This concept is a far cry from the present multi-stage system applied to the handling, storage and movement of prairie grain.

We would suggest these two terminal elevators remain under the management of the Board of Grain Commissioners, and producers assign their deliveries to the account of the elevator company of their choice. Similarly, two or more companies could jointly construct other terminals at strategic points for operation under joint management.

Grain could be cleaned to export standards at such facilities, thereby



saving the farmer the cost of shipping screenings to lakehead or coast terminals. It would further speed up the loading of vessels at ports since the cleaning process now frequently results in delays. Hopper cars might be used exclusively for hauling from such facilities since they can quickly discharge grain, thereby enabling a rapid turn-around of railway rolling stock.

There is no doubt the cost of modernization of the present grain handling system will be extracted in the long run from the producer himself. However, it is our view that care should be taken to avoid the pitfalls of the past which have permitted the costly over-expansion of grain handling facilities. The injection of proper planning into the future structure of our grain handling and transportation system cannot be over-emphasized and is an area in which government has a legitimate interest in providing guidance.

#### Canadian Wheat Board

Prairie grain producers grew the largest wheat crop on record in 1966. The successful negotiation of new sales contracts with the USSR and the People's Republic of China, in addition to our traditional overseas markets, once again places Canada's export potential for 1966-67 in a very favorable position. Wheat no doubt will continue to enjoy the position of a top foreign exchange earning commodity for at least the foreseeable future. Prairie grain growers have just recently received their settlement for the 1965-66 crop year. It is the largest final payment on record and producers would be the first to concede that the marketing skills of the





Canadian Wheat Board are largely responsible for this fine marketing record.

The Canadian Wheat Board enjoys a high reputation with the vast majority of grain producers. Any other form of marketing would, by comparison, have been chaotic and disastrous to grain producers in recent years of high production.

There is no doubt farmers wish to continue the orderly marketing system of the Canadian Wheat Board in future years. Producers are concerned, however, that legislation authorizing the operations of the Canadian Wheat Board has never been permanently adopted by the Parliament of Canada, but has instead been renewed on a temporary basis at three-year intervals.

We take this opportunity to invite the Government of Canada to place the operations of the Canadian Wheat Board on a permanent basis for the export and domestic marketing of prairie grain.

#### Rye, Flax and Rapeseed

Currently, wheat, oats and barley produced on the prairies fall under the marketing jurisdiction of the Canadian Wheat Board. Our organization has for many years advocated the inclusion of rye, flax and rapeseed under the Canadian Wheat Board marketing structure. We reiterate our request at this time for the following reasons:

- a) The farmer who produces these grains is subject to the quota regulations of the Canadian Wheat Board, and is therefore denied the management decision of when to sell since he is limited by delivery quotas and space at





country elevators. These circumstances are completely incompatible with open market sales methods.

- b) Because of these limitations and the fact that the day-to-day quotations for these grains fluctuate greatly, the best interests of farmers would be served through the price-pooling method employed by the Board in the sale of wheat, oats and barley.
- c) While the overall production of these three grains is comparatively smaller than the volume of wheat, oats and barley produced, they are nevertheless major export commodities. In 1966, 13.7 million bushels of rye were produced, 23 million bushels of flaxseed and 25 million bushels of rapeseed. Exports of rye in the 1965-66 crop year were just over 8 million bushels. Flaxseed exports totalled 18.9 million bushels and were 32% larger than the 1964-65 level of 14.3 million. Exports of rapeseed in 1965-66 amounted to a record 13.6 million bushels compared with 9.3 million the previous year.

We recognize that the oilseeds such as flax and rapeseed have marketing problems which are not peculiar to other grains since they can be readily substituted on the market by various other types of vegetable oils. However, we believe that the orderly marketing structure of the Canadian Wheat Board would be more beneficial to the long-run interests of producers than is the present method of futures marketing through the Grain Exchange.



### Initial Price for Wheat

The size of the final payment made by the Canadian Wheat Board for the 1965-66 crop year clearly indicates that producers are being underpaid on the value of their grain deliveries at the present level of the initial payment for wheat. We therefore recommend that the level of the initial payment be increased from the present \$1.50 to \$1.75 per bushel basis No.1 Northern Fort William-Port Arthur.

### International Wheat Agreement

For three successive years, renewal of the International Wheat Agreement has been agreed to for one-year periods. However, the floor-ceiling prices of export sales under the Agreement have remained unaffected.

It is generally felt among producers that the current floor and ceiling prices of \$1.62 1/2 and \$2.12 1/2 U.S., are no longer realistic in terms of the present marketing conditions and world demand for wheat.

Our organization supports the principle of a long-term commodity agreement such as has been represented by the IWA. However, we urge that in the renegotiation of a new agreement, the ceiling price be increased to at least \$2.50 per bushel basis Ft. William-Port Arthur.

### Dairy Policy

We welcome the appointment of a National Dairy Commission as a proper step in regulating the dairy industry in Canada. It is our hope that the Advisory Committee of the National Dairy Commission will be permitted to play a meaningful role in the guidance and development of a





sound dairy policy for Canada.

One of the first official acts of the Commission thus far has been the purchase of 1,000 long tons of New Zealand butter to meet deficiencies in winter supplies of this commodity in western Canada. This has been prompted by the decline in government stocks of approximately 20 million lbs. below the figure of last year.

The Canada Department of Agriculture reports that in 1966 the National Dairy Herd was the smallest of the past 46 years. A decline of 86 thousand head from 1965 was noted and the total number of dairy cows was stated to be 6% lower than in 1961. All provinces with the exception of Quebec shared in the reduction which averaged 7% in the prairie provinces and 6% in the maritime provinces. In British Columbia, the decline in cow numbers was 2% and in Ontario it was 3%. In 1966 farms in Quebec and Ontario were reported to have 71% of the National Dairy Herd and produced a similar proportion of milk.

It is clear that the decline in national milk production is largely due to the delay of the federal government in providing an adequate level of prices to producers for manufacturing milk which would compensate for the rapidly rising costs of production.

The dilemma of the manufacturing milk producer rests in part at least in the fact that his standards of production and his capitalization costs have been rising steadily while the prices he has received have not kept pace with pressures to improve his efficiency. The entire dairy business is highly complicated and is fragmented by the jurisdictions between provincial markets for fluid milk which are governed by provincial milk control





agencies and the federal jurisdictions covering all other classes of dairy products. This situation, we believe, could be substantially corrected by having all dairy product processing facilities to be declared as works to the general advantage of Canada and as such be made agents of the National Dairy Commission for the purpose of regulating prices of dairy products from the producer to the consumer.

Provincial milk marketing agencies might also operate under the jurisdiction of the National Dairy Commission for the purpose of regulating production, pricing and distribution of dairy products with the objective of pooling all classifications of milk to realize a blended milk price to all producers.

We believe that one of the first actions of the Dairy Commission should be to increase the price on all quality milk used in other than the fluid milk market to a level which will net the producer a price of \$5 per cwt., with corresponding prices applicable to farm-separated cream.

The new Dairy Commission will be in an ideal position to assist the federal government in implementing a food aid program to needy countries in that it will be able to assist in planning the production of dairy products in Canada on a continuing basis for this purpose.

We are, of course, aware of the reported statements of the Minister of Agriculture at the recent Dairy Farmers of Canada Annual Convention held in Winnipeg. He emphasized that dairy farmers cannot expect an increase in direct subsidies for the coming year and that any moves to assist the dairy farmer cannot be based in the coming year on more money from the taxpayer's pocket.



May we merely observe at this time that increased prices in dairy products which result from supply shortages might in future come out of the pockets of taxpayers in their role as consumers in perhaps larger quantity than would be the case if a sound and stabilized dairy industry is established.

The federal government must not forget that it holds far greater sway over the future economic destiny of agricultural producers than it does over those segments of our economy that contribute to the rising cost of farm production.

It should not, therefore, demand more from agricultural producers than it demands from such other segments in our economy.

#### Tolls - St. Lawrence Seaway

Our organization views with alarm the possible approval by government for bids by the St. Lawrence Seaway to impose tolls and lockage fees on the Welland Canal.

While our views have on a previous occasion been made known to the St. Lawrence Seaway Authority, we take this opportunity to reiterate them at this time.

These, briefly stated, are summarized as follows:

- 1) Our views are directed specifically to the proposals of the Authority for tolls on grain shipments to be progressively increased to an average of 11¢ per ton on bulk cargo, and lockage fees on the Welland Canal similarly increased to \$100 per lock by 1971.

Toll increases of 11¢ per ton, we estimate, would amount to





increased shipping costs on grains shipped out of Fort William-Port Arthur by 1971 approximately as follows:

Wheat	1/3¢ per bushel
Oats	1/5¢ per bushel
Barley	3/10¢ per bushel

These added tolls on lake shipments of grain out of Fort William-Port Arthur will consequently be reflected in lower returns to primary grain producers.

For this obvious reason, toll increases would, to this extent, be a decided disadvantage to grain producers.

2) In terms of the relative costs of grain movement by water and rail, the Seaway must almost certainly be regarded as exclusive. Vessel shipments from Fort William-Port Arthur of the three major classes of grain in the 1964-65 crop year, for instance, totalled 364,057,000 bushels as against rail shipments from these ports of only 6,122,402 bushels.

3) The argument advanced by the Seaway Authority for increased tolls as a means towards encouraging the size and efficiency of vessels using this water route is of questionable validity. While it can be argued that higher tolls will decrease the competitive position of smaller vessels, we question whether the increase in size and efficiency of vessels alone is entirely valid at a time when it is admitted that "The Seaway is operating with transit capacity to spare; the present toll structure creates no particular problem." 1/

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1/ Page 11, "Summary of Future Traffic Estimates and Toll Requirements" St. Lawrence Seaway Authority.



We believe it would be a much more pertinent argument to advance if the use of the Seaway by smaller vessels was creating a bottleneck, thereby hindering the passage of larger vessels.

Consideration must also be given to other factors related to this question. For example, in certain classes of general cargo, larger capacity carriers may not be the most efficient in terms of the class of goods being conveyed. Larger vessels might, in actual fact, slow the movement of goods from the manufacturer in one part of Canada to the purchaser in another if shipment is delayed by more frequent docking for bulkheading and loading of larger vessels than is required by smaller vessels. This could shift traffic from the Seaway to rail, a possibility which the railway companies would undoubtedly welcome. Higher tolls and lockage charges on small vessels would have the same effect and would not necessarily result in the investment in larger vessels by shipping companies. Increased tolls will, in fact, make the Seaway less competitive than it now is for certain classes of goods.

4) Average toll rates on bulk cargo are now 42.55¢ per ton and 98.20¢ per ton on general cargo. The proposed increases to be phased in by 1971 would amount to 53.89¢ per ton on bulk cargo and 130.25¢ per ton on general cargo, or by 25.8% and 32.6% respectively. These increased toll charges would apply not only to the current volume of traffic but to expected future increased volumes as well.

It is clear, therefore, that should the predicted rate of traffic growth materialize, toll increases would not be necessary in order to





make the Seaway self-sufficient by no later than 1980 and could very possibly make it so much earlier.

5) A proposal is also made by the Seaway Authority to introduce lockage tolls on the Welland Canal to progressively take effect over the next five years to a maximum of \$100 per lock or \$800 for passage through eight locks. This, it is argued by the Seaway Authority, "would reward efficiency in the use of canal capacity, would have the added effect of promoting efficiency through the Seaway, in harbor operations and in shipping capacity utilization." The Seaway Authority states further that such a fee would encourage the arrangement of multiple lockages for small ships. It notes that at present, tandem lockages are formed only when two small ships happen to be in a line-up.

It is our view that tandem lockages can be encouraged through the employment of other means than by the imposition of high lockage fees. It could, for example, be a requirement of the Seaway that tandem passage of smaller ships through the Seaway is a necessity in order to pass through the canal toll-free, and this would, in turn, equally assist in encouraging tandem lockages. The recommended lockage tolls in our view are more for the purpose of eliminating smaller vessels from the Seaway than for the purpose of encouraging tandem lockages. The imposition of lockage tolls on the Welland Canal would also make the Seaway less competitive rather than more so.

For the various reasons described above, we recommend:

- 1) That toll charges on bulk and general cargo passing through the St. Lawrence Seaway remain unchanged.



- 2) That the Welland Canal remain as a toll-free passage for all bulk and general cargo vessels.
- 3) That the federal government continue to subsidize Seaway operations until such a time as volume of traffic is able to make the Seaway self-sufficient.

All of which is respectfully submitted by

THE NATIONAL FARMERS UNION.















